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Outlook for 1951

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Outlook

for 1951



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No. 134 AGRICULTURAL EXTENSION SERVICE

C.2 SOUTH DAKOTA STATE COLLEGE ♦ BROOKINGS

U. S. DEPARTMENT OF AGRICULTURE COOPERATING

Agricultural Outlook for 1951

By ARTHUR W. ANDERSON*

Situation in General

High Business Activity and Employment

Our Nation's economy is now operating at the highest rate in history, except at the peak of World War II. Even before the start of the war in Korea, employment and business activity were recovering from the mid-1949 slump. As a result of developments in Korea and other areas of international tension, there has been a sharply increased national program to secure production for military and defense purposes. There has also been an expansion in plans by business leaders to increase industrial plants and equipment.

These Indicators Show the Trend

	Oct. 1949	June 1950	Oct. 1950
Industrial production	166	199	215
Construction activity	458	507	559
Wholesale prices	152	157	169
Cost of living	168	170	175
Prices received by farmers	242	247	268
Prices paid by farmers	246	255	261
Parity ratio	98	97	103
Weekly earnings, factory workers	\$55.26	\$58.70	\$61.98
People employed (millions)	59.0	61.5	61.8
Unemployment (millions)	3.6	3.4	1.9

More Military Expenditures

In addition to the needs of a hustling economy, we are beginning a period of *determined mobilization*. Expenditures for national security and military purposes will increase to an annual rate of at least \$30 billion by mid-1951. They may have to increase to \$50 billion or more by the end of the year. Next year by this time, defense spending may take 12 to 15 percent of the value of all goods and services produced, compared to about 6 percent this past year.

Our Nation's labor force will be fully employed in 1951. Industrial production will operate at high levels. More jobs, higher wages, longer hours of work—mean an expanding buying power on the part of consumers, and therefore a greater demand for farm products. This greater demand is the main factor back of the generally favorable outlook for agriculture in 1951.

We are not in an all-out war, so efforts will be made to increase taxes to finance defense expenditures on a "pay-as-we-go" basis. Such increased taxes may not be politically feasible, so they are not likely to drain off enough of the excess in consumer purchasing power.

*Farm Management Specialist.

Inflation on the Way

More inflation is therefore in prospect for next year, and probably for the next several years. To combat or hold down this threat of more inflation, government policy now seems to be to attempt to hold the line by these methods:

1. *Secure increased production* of the goods in short supply as soon as possible.

2. *Increase taxes.* We are sure to have higher taxes for two reasons: (a) to pay for our military and defense expenditures on a "pay-as-we-go" basis as much as possible, and (b) to drain off some of the excess purchasing power from workers.

3. *Stricter credit controls.* Too easy credit adds to the competition for scarce goods.

4. *Allocations and priorities* on scarce materials that will be needed for defense and military purposes.

5. *More emphasis on savings.* Citizens will be encouraged to save part of their current incomes, and to retain their past savings, rather than add them to the spending stream.

6. *As a last resort,* price controls and wage controls and even rationing may become necessary, with all the accompanying enforcement and black-market problems.

The Farming Outlook

Prices and Incomes To Be Higher

In view of our general economic situation plus the need for more military expenditures, the farming outlook for 1951 is quite favorable. A very strong *demand* for food and most farm products is in prospect for 1951.

Prices and incomes received by farmers are likely to be substantially higher than in the first half of 1951, as are prices and incomes in the Nation generally. But higher costs of farm production and of family living, higher taxes, and increasing difficulties in obtaining supplies and hired farm labor are also in prospect.

The outlook for higher farm incomes next year arises from two sources: (1) Because of greater demand, prices for most farm products should average well above 1950 levels (perhaps around 10 per cent higher on the average); and (2) Total agricultural production may be the largest in history (*if* we have average weather and rainfall) because there will be less restrictions. Acreage allotments will be increased.

With prices and production both up, farmers probably will get about 10 percent more cash from sales and marketings in 1951. Since production expenses probably will not go up quite as much, the *net income* of farmers may rise 15 percent or more. However, net farm income is not likely to reach as high levels as either 1947 or 1948.

Abundant Production Wanted

The emphasis for agriculture in 1951 will be on *abundant production*. People want more food per capita in periods of full employment and high purchasing power, such as our period of defense mobilization ahead. This increased demand is likely to be greatest for such farm products as meats and milk, fruits and vegetables. A continuing abundance of food can be a good weapon against more inflation.

In spite of increased emphasis on production for 1951, *no plow-up* of land for wheat or flax seems called for now. It is certainly not advisable for farmers to think about plowing up land that can better or more safely be used as hay or pasture. It is better in the long run to consider shifting land to more forage crops, feed grains, and grasses and legumes. Beef cattle, hogs, milk, sheep and wool are the items that will be in greatest demand from South Dakota farmers.

Long Run Prospects Are Bright

The longer run prospects for agriculture seem brighter than for the years between World War I and World War II. The growth of population, with improving living conditions, is expanding our home market for farm products. The increase in population during the last 10 years (almost a 20 million increase between 1940 and 1950) has added greatly to the demand for farm products. Predicting future changes in population is uncertain, but we might have another 20 million increase in population within the next 10 to 15 years. Such an increase would further expand the domestic demand for farm products.

Prices for Farm Products

Wheat Prices Look Steady

The 1951 outlook for wheat is characterized by a continued large wheat acreage, the desire for accumulating a substantial reserve stock of wheat in the nation, and the likelihood of a slight increase in the wheat loan rate.

The national wheat acreage allotment is 72.8 million acres for 1951, (the same as the allotment for 1950), compared with 71.5 million acres actually seeded in 1950. Price support for 1951 wheat has been announced at not less than \$1.99 per bushel, and it may be up to \$2.09 if the parity index goes up 5 percent. Wheat prices are likely to stay at or near the support price.

Small Rise for Feed Grains

Prices for feed grains and most of the by-product feeds are expected to average higher in the 1950-51 feeding season than in 1949-50. The increase in demand for meat and other livestock products will in turn mean a stronger demand for feed.

Feed prices are not likely to rise greatly however, because of present large feed supplies and reserve stocks held under price support. Corn acreage allotments in the commercial corn counties will very likely be increased for 1951. The policy will be to insure adequate feed for increasing livestock numbers.

Flax and Soybeans Look Better

An increase in corn acreage next year may reduce the acreage of soybeans. The corn acreage reduction in 1950 was in part shifted to soybeans, with a record acreage resulting. Prices of most fats and oils are expected to average a little higher next year than in 1950, largely as a result of increased industrial activity and higher consumer incomes.

There will be no restriction on flax acreage in 1951, but the support price will be held fairly low. More than a year's supply of linseed oil is on hand in the U. S. now. Flaxseed price support for the 1951

crop has been announced at \$2.65 per bushel, farm basis, which is about 8 cents per bushel higher than for the 1950 crop.

Moderately Higher Livestock Prices

Defense activities and high employment in industry will bring larger consumer incomes. Therefore, there is likely to be a stronger demand for meat next year. Prices of all classes of meat animals are likely to be moderately higher.

Numbers of cattle and hogs are increasing. The 1951 spring pig crop may be up at least 5 percent. Production of veal, lamb, and mutton will not change much next year. All in all, the total meat supply should be 148 pounds per person for the year, compared with 145 pounds per person for 1950.

Fluid Milk Outlook Best in Dairy

Increased consumer demand is expected for fluid milk and sweet cream in 1951. Prices for milk and dairy products in 1951 are expected to be slightly higher than in 1950, particularly for fluid milk. In 1951, more milk is likely to be used in fluid form and ice cream, and considerably less in butter and cheese. Stocks of butter and cheese are at record levels.

Eggs and Poultry To Level Off

After a sudden spurt in egg prices late in 1950, due to a brisk demand for fresh eggs at a time of low seasonal production and small supplies available in the markets, prices are likely to level off as egg production picks up this winter and next spring.

Prices for eggs during the whole of 1951 are not likely to participate in any prolonged rise, because egg supplies are expected to be large in relation to probable consumption. It has been announced that there will be no price support purchases of dried eggs in 1951.

Higher prices for livestock and meat next year will also improve the price prospects for chickens and turkeys.

Wool Is 40% Above Year Ago

The world demand for wool continues very strong, and our supply here at home is far short of demand. About two-thirds of the wool used in the U. S. now has to be imported. Strong consumer demand and considerably largely military requirements for wool are in prospect for the U. S. in 1951.

Since the supply is very short, growers are likely to get very favorable prices next year. Right now wool prices are about 40 per cent higher than a year ago. Prices can be expected to remain high for several years.

Family Living Outlook

MRS. ESTHER FARNHAM*

Housing, Clothing, Foods To Cost More

Housing. If you're planning to do much building or remodeling in 1951, you probably will find that it will cost more. Prices will continue going up and the same problems will be present as in 1950. The new regulations on credit and restrictions on materials may slow

*Assistant State Home Demonstration Leader

down building and this may act as a control on demand. Prices of building materials increased 16 percent in 1950 over 1949.

Clothing and Textiles. We can expect higher prices for these items. New types may also appear on the market. Both wool and cotton are in very short supply. Labor costs are also higher, all adding up to higher prices to the consumer.

Clothing materials advanced very rapidly June to September, 1950, with silk going up 32 percent; leather, 9; shoes, 5; raw hides and skins, 31; cotton, 36; print cloth, 47; and sheeting, 40 per cent. Raw wool is now 40 percent more than a year ago.

Food. Prices will go up but are not expected to reach the 1948 peak before July, 1951. There will be plenty of food for all under normal conditions, assuming average or near-average yields.

During the past 40 years our eating habits as a Nation have changed. Our consumption per capita of fruits, vegetables, dairy products, fats and oils have gone up while potatoes and grains have gone down. Consumption of sweets and sugar went up steadily until 1930 and then decreased. Since World War II it has increased but has not reached the 1930 peak.

What Action Program?

What course of action should a farmer take for 1951? In planning the operations for an individual farm, it now looks like it will be wise and profitable for a farmer to:—

1. Make plans to operate the farm in 1951 at *full capacity*. Very few acreage restrictions will be imposed.

2. *Raise all the livestock* the farm land and buildings and equipment will handle. Most livestock and livestock products will be in strong demand.

3. *Buy grain and protein feeds* as “free” supplies are available this fall and early winter, to cover your needs until another harvest.

4. Buy farm equipment that can be used in *saving labor*, or in *increasing the volume* of business. The emphasis should be on production, at the same time holding down the cost per unit as much as possible.

5. *Buy repairs* and supplies such as baling wire, insecticides, weed spraying materials, fertilizer, fencing, seeds, and other items that definitely will be needed during 1951, as *early as possible*.

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